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UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEVADA

* * * * *

IN RE:

Case No. BK 09-54485 gwz

(Chapter 11)

SKYE INTERNATIONAL, INC.
a Nevada corporation,

Debtor.

Hrg. DATE: To Be Set
Hrg. TIME: To Be Set
Est Time: 1 hour

**DEBTOR'S FIRST AMENDED JOINT DISCLOSURE
STATEMENT AND PLAN OF REORGANIZATION**

Dated: May 20, 2010

Filed by: STEPHEN R. HARRIS, ESQ.
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1
2 **I. INTRODUCTION AND DEFINITIONS**

3 **A. INTRODUCTION**

4 A voluntary petition for Chapter 11 Relief was filed on December 16, 2009. No
5 trustee has been appointed and Debtor acts as Debtor-in-possession herein.

6 The document you are reading is both the Debtor's First Amended Plan of
7 Reorganization ("Plan") and the Debtor's First Amended Disclosure Statement
8 ("Disclosure Statement"), which is titled the DEBTOR'S FIRST AMENDED JOINT
9 DISCLOSURE STATEMENT AND PLAN OF REORGANIZATION. The Debtor has
10 proposed the Plan to treat the claims of the Debtor's creditors and its interests. The
11 Disclosure Statement describes the assumptions that underlie the Plan and how the
12 Plan will be executed.

13
14 Prior to entertaining a hearing on confirmation of the Debtor's Plan, the
15 Bankruptcy Court in this Chapter 11 case (the "Court") will be asked to approve the form
16 of this document as an adequate DISCLOSURE STATEMENT, containing enough
17 information to enable parties affected by the Plan to make an informed judgment about
18 the Plan. The Court has not yet confirmed the Plan, which means the terms of the Plan
19 are not now binding on anyone.

20
21 A hearing date and time to determine whether the Court will confirm the Plan will
22 be scheduled at a later date, with all interested parties receiving notice of the same.

23
24 Any interested party desiring any further information should contact the attorney
25 for the Debtor:

26 ///

27 ///

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B. DEFINITIONS

SCOPE OF DEFINITIONS.

For the purposes of this DEBTOR'S FIRST AMENDED JOINT DISCLOSURE STATEMENT AND PLAN OF REORGANIZATION, all capitalized terms and otherwise defined terms shall have the meanings assigned to them in this Article I. Whenever the context requires, such terms shall include the plural number as well as the singular and the female and/or masculine gender as well as the neuter.

1. "ADMINISTRATIVE CLAIM." This term shall refer to and mean every claim that is entitled to allowance under Section 503(b) of the Bankruptcy Code or otherwise entitled to priority pursuant to Section 507(a)(1) of the Bankruptcy Code, arising prior to the Effective Date, including, without limitation: **(a)** any actual, necessary expense preserving the Estate, including, without limitation, expenses necessary or appropriate to carry out, facilitate, or effectuate this Plan; **(b)** any amount required to be paid under Section 365(b) of the Bankruptcy Code in connection with the curing of defaults under executory contracts or unexpired leases; and **(c)** all allowances, including professional fees and costs, approved by the Bankruptcy Court for Debtor's professionals and members of and professionals employed by the Unsecured Creditors' Committee.

2. "ALLOWED ADMINISTRATIVE CLAIM" shall mean an Administrative Claim: **(a)** as to which no objection has been filed or, if an objection has been filed, such objection has been resolved by the allowance of such Administrative Claim by a Final Order; **(b)** which requires payment in the ordinary course of the business of the Debtor and as to which there is no order of the Bankruptcy Court in effect which prohibits any such payment; or **(c)** which requires payment pursuant to a Final Order.

3. "ALLOWED CLAIM" or "ALLOWED INTEREST" shall mean claims against or interest in the Debtor to the extent that--

(a) Proof of claim or interest was--

(i) timely filed;

(ii) deemed filed, if such claim or interest appears in the schedules filed herein, unless such claim or interest is scheduled as disputed, contingent, or unliquidated; or

(iii) late filed--

(A) with leave of the Bankruptcy Court; or

(B) without objection by the Debtor-in-Possession within a time fixed by the Bankruptcy Court; and

(b) (i) the Debtor-in-Possession does not file an objection within a time fixed by the Bankruptcy Court; or

(ii) the claim or interest is allowed by a Final Order; or

(iii) the claim or interest is allowed under this PLAN.

4. "ALLOWED PRIORITY CLAIM" shall mean a Priority Claim which is an Allowed Claim.

1
2 5. "ALLOWED SECURED CLAIM" shall mean an Allowed Claim
3 secured by a lien, security interest or other charge against or interest in property in
4 which the Debtor has an interest, or which is subject to setoff under Section 553 of the
5 Code, to the extent of the value (determined in accordance with Section 506(a) of the
6 Code) of the interest of the holder of such Allowed Claim in the Debtor's interest in such
7 property or to the extent of the amount subject to such set-off, as the case may be.
8

9 6. "ALLOWED SUBORDINATED CLAIM" shall mean an Allowed
10 Claim arising from any Indebtedness evidenced by or related to the claim of a
11 Subordinated Creditor.

12 7. "DEFINITION OF THE BALLOT" shall mean the Ballot(s) for
13 accepting or rejecting this Plan in a form(s) approved by the Bankruptcy Court.

14 8. "BANKRUPTCY CODE" as used herein refers to Title I of Public
15 Law No. 95-598, as codified in Title 11 of the United States Code, and all amendments
16 thereto.
17

18 9. "BANKRUPTCY COURT" (or "COURT") shall mean the United
19 States Bankruptcy Court, for the District of Nevada, in which the Debtor's Chapter 11
20 case is pending, such other court as has jurisdiction in this Chapter 11 case, and any
21 court having competent jurisdiction to hear appeals or certiorari proceedings therefrom.
22

23 10. "BANKRUPTCY RULES" shall mean the Federal Rules of
24 Bankruptcy Procedure, promulgated under 28 U.S.C. § 2075, including any
25 amendments thereto, which are in effect before and as of the Confirmation Date, and
26 thereafter during the Reorganization Case, to the extent that they are consistent with
27 vested rights under this Plan and the Confirmation Order.
28

11. "BUSINESS DAY" shall mean any day except Saturday, Sunday, or a day on which commercial banks in Washoe County, Nevada, are authorized or required by law to close.

12. "CLAIM" shall mean: **(a)** any right to payment from the Debtor or its Estate, including an Administrative Claim, whether or not such right is reduced to judgment, or is liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured; and **(b)** any right to an equitable remedy for breach of performance of such breach gives rise to a right to payment from the Debtor or its Estate, including an Administrative Claim, whether or not such right to an equitable remedy is reduced to judgment, or is fixed, contingent, matured, unmatured, disputed, secured or unsecured.

13. "CLAIMANT" shall mean the holder of an Allowed Claim or an Allowed Administrative Claim.

14. "CLASS" shall mean any class into which Allowed Claims or Allowed Interests are classified pursuant to Article IX (Description and Treatment of Claims and Interests).

15. "COMMENCEMENT DATE" (or "PETITION DATE") shall mean the date the Order for Chapter 11 Relief was entered in this case (December 16, 2009), which date shall be utilized to determine the cessation of interest on certain claims and the date of commencement of the rights of certain creditors to make claim for administrative expenses and allowances, among other rights that are determined by relation to said date.

1
2 16. "CONFIRMATION" shall mean the entry of the Confirmation Order
3 by the United States Bankruptcy Court.

4 17. "CONFIRMATION DATE" shall mean the date on which the
5 Confirmation Order is entered on the Bankruptcy Court's docket.

6 18. "CONFIRMATION ORDER" shall mean the Order of the Bankruptcy
7 Court confirming this Plan, pursuant to Section 1129 of the Bankruptcy Code, and
8 approving the transactions contemplated herein, which shall be in form and substance
9 acceptable to the proponents.

10
11 19. "CREDITOR" shall mean any entity that has a claim against the
12 Debtor, which claim arose to or before the Commencement Date, including any claim
13 that may arise under 11 U.S.C. Sections 502(f), 502(g), 502(h) and 502(l).

14 20. "DEBTOR" shall mean SKYE INTERNATIONAL, INC., a Nevada
15 corporation, which Debtor hereby proposes a DEBTOR'S FIRST AMENDED JOINT
16 DISCLOSURE STATEMENT AND PLAN OF REORGANIZATION.

17
18 21. "DEBTOR'S PROFESSIONALS" shall mean STEPHEN R.
19 HARRIS, ESQ., and CHRIS D. NICHOLS, ESQ., of the law firm of BELDING, HARRIS &
20 PETRONI, LTD., as Debtor's general bankruptcy counsel; and all other professionals
21 retained by the Debtor with approval of the Bankruptcy Court, in accordance with
22 Section 327 of the Bankruptcy Code.

23
24 22. "DISCLOSURE STATEMENT" means the written DEBTOR'S
25 FIRST AMENDED JOINT DISCLOSURE STATEMENT AND PLAN OF
26 REORGANIZATION, which is approved by the Bankruptcy Court under Section 1125 of
27 the Bankruptcy Code.

1
2 23. "DISPUTED CLAIM" shall mean every claim that is not an Allowed
3 Claim or an Allowed Administrative Claim or to which the Debtor or the Unsecured
4 Creditors' Committee file an objection before the deadline for objection set forth in this
5 Plan or an operative order of the Bankruptcy Court.

6 24. "EFFECTIVE DATE of the PLAN" shall mean the first Business Day
7 which is at least thirty (30) calendar days after all of the following have occurred (so long
8 as they remain in effect): **(a)** this Plan has been confirmed pursuant to the Confirmation
9 Order and the Confirmation Order remains in full force and effect without material
10 modification thereof; **(b)** there is not in effect any stay, injunction or restraining order or
11 any other order of any kind which has been issued by a Court of competent jurisdiction
12 or other governmental entity staying, restricting or prohibiting the effectuation of this
13 Plan; and **(c)** there is not in effect any statute, rule, regulation or order enacted,
14 promulgated or entered which is applicable to the effectuation of this Plan of which
15 results in the consequences referred to in subsection (b) immediately above.
16
17

18 25. "EQUITY HOLDINGS" shall mean the shareholder's equity interests
19 in the Debtor, SKYE INTERNATIONAL, INC., a Nevada corporation, by any instrument
20 evidencing an ownership interest in the Debtor, whether or not transferable, and all
21 options, warrants, or rights, contractual or otherwise, to acquiring such interests, all as of
22 Effective Date.
23

24 26. "ESTATE" shall mean the Estate created in this Reorganization
25 Case pursuant to Section 541 of the Bankruptcy Code.
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2 27. "EXPIRATION DATE" shall mean the last date determined by the
3 Bankruptcy Court for the casting of Ballots, which date shall be acceptable to the
4 proponents.

5 28. "FINAL ORDER" shall mean a final order, judgment or other decree
6 of the Bankruptcy Court or other Court of competent jurisdiction which has not been
7 vacated, reversed, saved, modified or amended **(a)** as to which **(i)** the time to appeal or
8 seek review or rehearing has expired and as to which no appeal, petition for certiorari,
9 request for review or rehearing is pending, or **(ii)** if appeal, review, rehearing or certiorari
10 of the order has been sought, the order has been affirmed or the request for review,
11 rehearing or certiorari has been denied, the time to seek a further appeal, review,
12 rehearing or certiorari has expired, and **(b)** as a result of which such orders shall
13 become final and not appealable in accordance with applicable law.
14

15 29. "LIEN" shall mean a charge or encumbrance against or interest in
16 property of the Debtor or the Estate to secure the payment of a debt or performance of
17 an obligation, and includes any right of setoff under Section 553 of the Bankruptcy
18 Code.
19

20 30. "PERSON" includes individual, partnership, corporation,
21 association, joint stock company, joint venture, estate, trust, unincorporated
22 organization, any governmental unit or political subdivision thereof, or other entity, and
23 all of the respective heirs, personal representatives, successors and assigns.
24

25 31. "PETITION DATE" shall mean December 16, 2009, the date on
26 which the Voluntary Petition for Relief under Chapter 11 of the Bankruptcy Code was
27 entered by this Court commencing the Debtor's Reorganization case.
28

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2 32. "PLAN" means this DEBTOR'S FIRST AMENDED JOINT
3 DISCLOSURE STATEMENT AND PLAN OF REORGANIZATION, and the filing by the
4 Plan proponent of any amendments or modifications thereof or supplements thereto, as
5 permitted by the Bankruptcy Court or the Bankruptcy Rules.

6 33. "PRIORITY CLAIM" shall mean a claim entitled to priority under
7 Section 507(a)(2)-(8) of the Bankruptcy Code.
8

9 34. "PROPOSITOR" shall mean the Debtor acting as the proponent of
10 this Plan.

11 35. "PRO RATA SHARE" shall mean the proportion that an Allowed
12 Claim in a particular class bears to the aggregate amount of all Allowed Claims in such
13 class.

14 36. "PURCHASER" shall mean the transferee of a voluntary transfer.

15 37. "RECORD DATE" shall mean, for purposes of voting, the date of
16 entry by the Bankruptcy Court of the Order Approving the Disclosure Statement and, for
17 purposes of distribution, the Confirmation Date.
18

19 38. "REORGANIZATION CASE" shall mean the Debtor SKYE
20 INTERNATIONAL, INC.'s case under Chapter 11 of the Bankruptcy Code, which is
21 currently pending before the Bankruptcy Court as Case No. BK-N 09-54485.
22

23 39. "REORGANIZED DEBTOR" shall mean SKYE INTERNATIONAL,
24 INC., a Nevada corporation, on and after the Effective Date.

25 40. "SKYE INTERNATIONAL, INC.'s ASSETS" shall mean all assets
26 and property of every kind, nature and description of which the Debtor or its Estate has
27 any right, title or interest, including but not limited to: vehicles, office equipment, tools,
28

1 patents, trademarks, tradenames, intellectual property, furniture, fixtures, all cash, cash
 2 equivalents, bank deposits, instruments, credit of instruments, certificates of deposit and
 3 drafts; all executory contracts and leases which are not and have not been rejected; all
 4 choses in action; and all claims, demands, causes of action, damages and obligations of
 5 any nature whatsoever, known or unknown in law or inequity, including, without
 6 limitation, claims or causes of action arising under the Bankruptcy Code (including,
 7 without limitation, Sections 362, 510 544, 545, 547, 548, 549, 550 and 553 of the
 8 Bankruptcy Code), or under any Nevada statute or regulation relating to the operations
 9 of SKYE INTERNATIONAL, INC.
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 11

12 41. "SECURED CLAIM" shall mean the claims of note holders and, for
 13 purposes of this Plan, any other claim secured by a lien which is valid, perfected,
 14 enforceable and not avoidable. If the value of the creditors' interest and the Estate's
 15 interest in the property securing a claim is not sufficient to satisfy such claim, then in
 16 accordance with Section 506 of the Bankruptcy Code and subject to Section 1111(b) of
 17 the Bankruptcy Code, such claim shall be deemed to be an unsecured claim under this
 18 Plan to the extent of any insufficiency in the value of the creditors' interest.
 19

20 42. "UNSECURED CLAIM" shall mean any claim which is not a
 21 Secured Claim, Priority Claim, Administrative Claim, or an unclassified claim or the kind
 22 described in Section 507(a)(7) of the Bankruptcy Code.
 23

24 A term used in this Plan that is not defined in this Plan but that is used in
 25 the Bankruptcy Code has the meaning assigned to the term in the Bankruptcy Code.
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2 **II. GENERAL DISCLAIMER AND VOTING PROCEDURE**

3 PLEASE READ THIS DOCUMENT, INCLUDING THE ATTACHED EXHIBITS,
4 CAREFULLY. IT EXPLAINS WHO MAY OBJECT TO CONFIRMATION OF THE PLAN.
5 IT EXPLAINS WHO IS ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN. IT
6 ALSO TELLS ALL CREDITORS WHAT TREATMENT THEY CAN EXPECT TO
7 RECEIVE UNDER THE PLAN, SHOULD THE PLAN BE CONFIRMED BY THE
8 COURT.
9

10 THE SOURCES OF FINANCIAL DATA RELIED UPON IN FORMULATING THIS
11 DOCUMENT ARE SET FORTH IN SECTION X BELOW. THE DATA HEREIN HAVE
12 NOT BEEN SUBJECT TO AUDIT. THE DEBTOR HAS ATTEMPTED TO BE
13 ACCURATE IN ITS PREPARATION OF THE PLAN AND SUPPORTING DOCUMENTS.
14 ALL REPRESENTATIONS ARE TRUE TO THE BEST KNOWLEDGE OF DEBTOR.
15

16 NO REPRESENTATIONS CONCERNING THE DEBTOR THAT ARE
17 INCONSISTENT WITH ANYTHING CONTAINED HEREIN ARE AUTHORIZED
18 EXCEPT TO THE EXTENT, IF AT ALL, THAT THE COURT ORDERS OTHERWISE.

19 After carefully reviewing this document and the attached exhibits, please vote on
20 the enclosed ballot and return it in the enclosed envelope.

21 The Debtor will schedule a date and time for hearing to determine whether the
22 Court will confirm the Plan. Please refer to the NOTICE OF HEARING ON
23 CONFIRMATION OF DEBTOR'S PLAN OF REORGANIZATION for the specific hearing
24 date. If, after receiving the ballots, it appears that the Debtor has the requisite number
25 of votes required by the Code, the Debtor will submit and file an order confirming the
26 Plan. Any opposition(s) or objection(s) to the Plan shall be filed and served on the
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28

Debtor's counsel no later than seven (7) days prior to the plan confirmation hearing date, or earlier date if ordered by the Court, and any reply pleading(s) shall be filed and served no later than two (2) days prior to any confirmation hearing. Failure to oppose the confirmation of the Plan may be deemed consent to the Plan's confirmation.

III. WHO MAY OBJECT TO CONFIRMATION OF THE PLAN

Any party in interest or creditor may object to confirmation of the Plan, but as explained below, not everyone is entitled to vote to accept or reject the Plan.

IV. WHO MAY VOTE TO ACCEPT OR REJECT THE PLAN

To vote either to accept or reject the Plan, you must have both an allowed and impaired claim. A claim is defined by the Code to include a right to payment from the Debtor.

To vote, a creditor must first have an allowed claim. With the exceptions explained below, a claim is allowed if a proof of the claim is properly filed before any bar date and no party in interest has objected, or if the Court has entered an order allowing the claim or interest. Please refer to Section VI below for specific information regarding bar dates in this case.

Under certain circumstances a creditor may have an allowed claim even if a proof of claim was not filed and the bar date for filing a proof of claim has passed. A claim is deemed allowed if the claim is listed on the Debtor's schedules and is not scheduled as disputed, contingent, or unliquidated.

In order to vote, an allowed claim must also be impaired by the Plan.

Impaired creditors include those whose legal, equitable, and contractual rights are altered by the Plan, even if the alteration is beneficial to the creditor. A contract

1 provision that entitles a creditor to accelerated payment upon default does not, however,
2 necessarily render the claimant impaired, even if the Debtor defaulted and the Plan does
3 not provide the creditor with accelerated payment. The creditor is deemed unimpaired
4 so long as the Plan cures the default, reinstates the maturity of such claim as it existed
5 before default, and compensates for any damages incurred as a result of reasonable
6 reliance upon the acceleration clause.
7

8 There are also some types of claims which the Code required to be treated a
9 certain way. For that reason they are considered unimpaired and therefore holders of
10 these claims cannot vote.
11

12 To summarize, there are two prerequisites to voting: a claim must be both
13 allowed and impaired under the Plan.

14 If a creditor has an allowed and impaired claim, then he or she may vote either to
15 accept or reject the Plan (unimpaired claimants are deemed to have accepted the Plan).
16 Impaired claims are placed in classes and it is the class that must accept the Plan.
17 Members of unimpaired classes do not vote, although as stated above, they may object
18 to confirmation of the Plan. Even if all classes do not vote in favor of the Plan, the Plan
19 may nonetheless be confirmed if the dissenting classes are treated in a manner
20 prescribed by the Code. Please refer to Section VI below for information regarding
21 impaired and unimpaired classes in this case.
22

23 Section IX sets forth which claims are in which class. Secured claims are placed
24 in separate classes from unsecured claims. Fed. R. Bankr. P. 3018(d) provides: "A
25 creditor whose claim has been allowed in part as a secured claim and in part as an
26 unsecured claim shall be entitled to accept or reject a Plan in both capacities."
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2 **V. VOTES NECESSARY TO CONFIRM THE PLAN**

3 The Court may confirm the Plan if at least one non-insider impaired class of
4 claims has accepted and certain statutory requirements are met as to both non-
5 consenting members within a consenting class and as to dissenting classes. A class of
6 claims has accepted the Plan when more than one-half in number and at least two-thirds
7 in amount of the allowed claims actually voting, vote in favor of the Plan. It is important
8 to remember that even if the requisite number of votes to confirm the Plan is obtained,
9 the Plan will not bind the parties unless and until the Court makes an independent
10 determination that confirmation is appropriate. That is the subject of any upcoming
11 confirmation hearing.
12

13 **VI. INFORMATION REGARDING VOTING IN THIS CASE**

14 The bar date for filing a proof of claim in this case is April 26, 2010.

15 The bar date for objecting to claims will be sixty (60) days after the date on which
16 the Plan is confirmed by the Court.
17

18 In this case the Debtor believes that the Class 2 Secured Claim of Thaddeus
19 Marek, Class 3 Secured Claim of Perry and Rosario Logan, Class 5 General Unsecured
20 Claims, Class 6 Equity Claims and Class 7 Stock Option Claims are impaired and
21 therefore entitled to vote. Class 1 and Class 4 are unimpaired and therefore do not vote
22 A party that disputes the Debtor's characterization of its claim as unimpaired may
23 request a finding of impairment from the Court in order to obtain the right to vote.
24

25 Ballots must be received by the Debtor addressed to STEPHEN R. HARRIS,
26 ESQ., and CHRIS D. NICHOLS, ESQ., at 417 West Plumb Lane, Reno, Nevada 89509,
27 or faxed to (775) 786-7764 or (775) 786-1633, or email at steve@renolaw.biz and
28

cnichols@renolaw.biz at least five (5) days prior to the Plan confirmation hearing date or such other date as may be ordered by the Bankruptcy Court. The Ballot Summary will be filed at least one (1) day before the Plan confirmation hearing.

VII DESCRIPTION OF DEBTOR'S PAST AND FUTURE BUSINESS AND EVENTS PRECIPITATING BANKRUPTCY FILING

A. Background

SKYE INTERNATIONAL, INC., is a publicly traded Nevada corporation, on the OTC BB Exchange under the symbol SKYIQ, originally created on November 23, 1993, as Amexan, Inc., ("SKYE or "Debtor"). The name was changed on 1998 to Nostalgia Motor Cars, Inc. Prior to the name change, Amexan was an inactive company from the date of incorporation. On June 11, 2002, the name was changed to Elution Technologies, Inc. On June 4, 2003, in connection with the pending acquisition of Envirotech Systems Worldwide, Inc., and the commencement of the Debtor's current line of business, it changed its name to Tankless Systems Worldwide, Inc. The Debtor's acquisition of Envirotech Systems Worldwide, Inc., was completed on November 7, 2003 in a share exchange that resulted in the Debtor acquiring 100% of the issued and outstanding common shares of Envirotech Systems Worldwide, Inc. On October 21, 2005, as part of its overall plan to create a brand name for its revised business plan and expanded product lines, the company changed its name to Skye International, Inc.

The Debtor had three subsidiary corporations, all of which were wholly-owned and all of which were wound-up or administratively dissolved during the fiscal year ended December 31, 2008: Envirotech Systems Worldwide, Inc., an Arizona corporation ("Envirotech"); ION Tankless, Inc., an Arizona corporation ("ION"); and Valeo Industries, Inc., a Nevada corporation ("Valeo"). On June 25, 2009, Debtor

1 established a subsidiary, Tankless.com, Inc. for purposes of internet business to
2 business and business to customer sales. Although the Debtor completed much of the
3 development work of the website for www.tankless.com, including the deployment of
4 real time e-commerce portal capable of completing retail orders from customers on the
5 web, the Debtor decided to focus its business efforts on the wholesale distribution
6 channel and thus the e-commerce functionality of the tankless.com website has been
7 removed. Debtor will determine at a later date whether or not to continue the pursuit of
8 the business to business or business to customer sales model in addition to the current
9 wholesale strategy.
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12 SKYE® is in the business of designing, developing, manufacturing and marketing
13 consumer life-style products, including initially several models of electric tankless whole-
14 house and point-of-use water heaters. All of SKYE's products are designed by in-house
15 engineering and contract engineers from third-party engineering firms. In an effort to
16 transition to a "fabrication free" business model, all water heaters produced for SKYE
17 are manufactured by third-party contract manufacturers. The company first entered its
18 current line of business through the acquisition of Envirotech and its product line – the
19 ESI-2000 Electric Tankless water heater. The product line never achieved critical sales
20 levels and production of the ESI-2000 product line concluded in late 2005. In response
21 to lack-luster product sales of the ESI-2000, SKYE engaged in a research and
22 development program to design a line of innovative electric tankless whole house water
23 heaters. The first product that SKYE released to the market in October 2008, was the
24 FORTIS™ Electric Tankless Whole House Water Heater. The FORTIS is small, easy to
25 install, and can supply virtually endless amounts of hot water with energy savings.
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1 FORTIS uses advanced technology and high quality stainless steel components that are
2 expected to provide increased reliability and longevity. SKYE's electric tankless water
3 heaters generate heated water only as long as hot water is required and only at the
4 temperature desired. Since electricity is only used when heated water is required, the
5 cost of heating water can be reduced by as much as 40% or more compared to a
6 storage type water heater. Because all of SKYE's products are compact, durable, self-
7 contained, and safe, they can be installed close to where hot water is being used and
8 are ideal for locations where space is at a premium or where instant hot water is
9 desired.
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12 In 2004, SKYE also commenced a new product research program into thick-film
13 and thin-film resistive heating technologies that provide a means by which water can be
14 heated very quickly without the inherent problem of solids precipitating out of
15 suspension during the heating process and causing premature failures. This process
16 led to the introduction of Paradigm[™] product lines. The Paradigm series has been
17 actively pursued and in February, 2010 received its first UL 499 safety certification by
18 Intertek Testing Services and in March 2010 also received CSA 22.2 Canadian
19 certification and, although not required in order to produce and sell the products,
20 Uniform Plumbing Code Certification is expected prior to the end of May 2010.
21 Commercial production of the Paradigm series commenced in late April, 2010 but
22 volume saleable quantities of product are not expected until the third quarter of 2010.
23 Utilizing revolutionary thin-film technology, the HeatWave product line is an inexpensive
24 point-of-use water heating solution. Ideally suited for small lavatory and bathroom
25 applications, the HeatWave provides a commercial building project with an inexpensive
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1 solution to code requirements for heated water. SKYE received both the UL 499 and
2 the CSA 22.2 No. 64 certification in January, 2009 and commercial, sales and
3 distribution of the HeatWave_ commenced in the second quarter of SKYE's fiscal year
4 2009. Initially product availability was limited as the contract manufacturer tooled up
5 production of the HeatWave series. SKYE expects that a sufficient volume of production
6 units will be available for distribution and sales commencing May 2010.
7

8 The FORTIS, Paradigm and HeatWave product lines, as well as future product
9 lines, are or will be sold primarily through the wholesale market in the U.S., Canada and
10 Mexico. SKYE expects the majority of product sales to be made through the wholesale
11 distribution channel and it will continue to build this distribution model through the
12 addition of contract third party manufacturer representatives, as well as SKYE sales
13 employees that target and manage sales and distribution to specific vertical markets
14 such as restaurants, spas and salons, pubic/institutional and light commercial to name a
15 few. SKYE expects the wholesale channel will continue to be the largest distribution
16 channel for the Debtor and to this end it expects to continue to fully support its
17 wholesale channel efforts.
18

19
20 B. Current Status

21 SKYE's tangible assets consist of two pending patents, five patents for tankless
22 water heater technology, one registered trademark for SKYE (and related artwork) and
23 pending trademark applications for FORTIS, HeatWave, Paradigm and HeatSurround.
24 Generally a patent has a life of seventeen (17) to twenty (20) years. Since inception, the
25 Debtor has financed its cash flow requirements through issuances of debt and common
26 stock and cash generated from its limited operations. As it has continued its business
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1 activities, the Debtor has continued to experience negative cash flow from operations
2 pending receipt of significant revenues that generate a positive sales margins and cash
3 flows. Commencing in the first quarter of 2007, and continuing throughout the fourth
4 quarter of 2009, all of the Debtor's cash needs were met through loans advanced to the
5 Company by certain of its directors, as well as private placements of common stock to
6 third-parties. SKYE has only recently begun to recognize meaningful sales revenues
7 from the sale of product. While reasonable sales margins are being achieved, cash flow
8 from operations are not anticipated to achieve levels sufficient to fund continuing
9 business operations under the business plan and Plan of SKYE; and, in the short term,
10 until those levels have been fully obtained, SKYE will continue to fund current operations
11 from the issuances of common stock, debt and private placements to accredited
12 investors.
13

14
15 C. Events Precipitating Bankruptcy Filing
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17 As set forth above, Debtor filed a Voluntary Petition for Chapter 11 relief on
18 December 16, 2009, as existing capital and anticipated funds from operations were not
19 sufficient to sustain immediate Company operations or the proposed Business Plan over
20 the next twelve (12) months. The Debtor had substantial increases in its cash
21 requirements which required additional capital generated from the sale of common
22 stock, the sale of preferred stock, and/or debt financing. Recent global events, as well
23 as domestic economic factors, limited the Debtor as well as other competitors to both
24 debt and equity financings. However, the contraction of available capital in the public
25 markets was particularly apparent in the micro-cap public companies market as private
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1 equity and hedge fund managers tended to avoid investments in small public companies
2 such as the Debtor.
3

4 D. Debtor's Business Plan

5 What follows is a brief description of the Debtor's business and future business
6 plans. Further details about the Debtor's business and financial statements are
7 available to the public through the facilities of the U.S. Securities and Exchange
8 Commission website at: www.sec.gov . Further details relating to the Debtor's financial
9 condition and post-confirmation operation of the Debtor's business are found in sections
10 X, XI, XII, XIV and XV.
11

12 Pursuant to this Plan, the Debtor intends to continue to operate its business in the
13 normal course under its current financial model as the Debtor now has established an
14 expanded wholesale distribution network, and it continues to develop a robust internet
15 marketing initiative designed to provide information to the public about SKYE's products.
16 Debtor also believes there will be a continued trend towards increased sales as the
17 Company expects increased sales through its expanded and increasingly well-staffed
18 wholesale channel efforts, as well as significant efforts to improve the internet as a
19 means of distributing both product information and sales information to prospective
20 buyers. The Debtor has also recently received the Intertek Safety Certification to both
21 UL and CSA standards of both its HeatWave and Paradigm product lines. The Debtor
22 has commenced sales of the HeatWave line and expects to commence sales of the
23 Paradigm at some point during the second quarter of 2010 once production volumes of
24 product become available during this period. Additionally, with a full suite of energy
25 saving appliances, the Debtor is now positioned to capitalize on growing interest and
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1 demand for tankless water heaters as part of the "green" movement. With the recent
 2 introduction of Federal "HomeStar" Legislation, if passed into law, the Debtor expects
 3 increased sales because consumers will receive Federal rebates for purchasing and
 4 installing all of SKYE's products at or below the 25KW size. Additionally, SKYE is
 5 working with its industry partners to also be included in the proposed "BuildingStar"
 6 Federal rebate program targeted at commercial and industrial consumers. If passed,
 7 Federal rebates will be available to commercial buyers of SKYE's products. Given the
 8 recent improvements in the new home construction and housing market, the Debtor is
 9 increasingly confident that a rebound in the construction sector will benefit the Debtor
 10 over the ensuing years as a larger market for the Debtor's products will likely develop.
 11 All of these developments have positioned the Debtor to fund its Plan through
 12 operations going forward.

13 **VIII. CRITICAL PLAN PROVISIONS**

14 Revenues from Debtor's on-going sales will permit Class 5 allowed General
 15 Unsecured Claim holders to expect to receive payments pursuant to one of the four
 16 alternatives that allowed General Unsecured Claimholders are permitted to elect from,
 17 as set forth in Section IX Class 5 General Unsecured Claims below, which alternatives
 18 include payment of fifty percent (50%) of the allowed claim with interest thereon at the
 19 rate of 4.25%, payable in quarterly payments over eighteen (18) months, or the election
 20 to receive a lump sum payment of twenty-five percent (25%) of the allowed claim, or a
 21 conversion of (100%) of the allowed claim into common stock, or a conversion of (100%)
 22 of the allowed claim into Class "A" ten percent (10%) convertible, redeemable preferred
 23 stock as set forth more specifically in Section IX below. In addition, revenue from
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proceeds of the court approved Debtor-in-Possession loan financing may be used in limited circumstances for payment of pre-petition claims if pre-approved in writing by the Lender under the Debtor-in-Possession Financing Agreement, Summit Growth Management, LLC, and pursuant to Bankruptcy Court order. Debtor's cash flow will be improved and its revenues otherwise increased as a result of its receipt of Debtor-in-Possession loan financing, which proceeds are otherwise required to be dedicated towards operating costs of the Debtor.

IX. DESCRIPTION AND TREATMENT OF CLAIMS

A. Overview of Plan Payments

Below is a summary of who gets paid what and when and from what source. The source of payment in this case is the net revenue available from regular business operations, coupled with business expense reductions, expected increases in business revenues, and proceeds from outside financings.

Below is a detailed description of and explanation of the treatment of claims.

UNCLASSIFIED CLAIMS:

ADMINISTRATIVE CLAIMS: All costs and expenses of administration in this case, including any actual and necessary expenses of preserving or liquidating the assets of the Debtor's estate, all allowances, including professional fees and costs, approved by the Court, and any other costs and expenses entitled to priority pursuant to 11 U.S.C. § 507(a)(1) of the Bankruptcy Code and 28 U.S.C. §1930, shall be paid in full on or before the Effective Date of the Plan, unless otherwise agreed by the holders of the claims. The holders of these claims include the attorneys for the Debtor and all fees

to be paid to the Office of the United States Trustee. The estimated administrative expenses for the Debtor's reorganization proceeding are \$159,900.00 and consist of:

\$ 10,400.00 Debtor shall continue to timely pay quarterly fees owing to the U.S. Trustee's Office post-confirmation, until such time as the case is closed, converted or dismissed, pursuant to 28 U.S.C. §1930(a)(6). Said quarterly fees shall be based upon all disbursements made by the Revested Debtor under the Plan and in the ordinary course of Debtor's business;

\$100,000.00 Estimated professional fees for the Debtor's general bankruptcy attorney Stephen R. Harris, Esq., and Chris D. Nichols, Esq., of BELDING, HARRIS & PETRONI, LTD., calculated as of the date of confirmation;

\$ 8,500.00 Estimated professional fees for the Debtor's special purpose Patent attorney Robert A. Parsons, Esq., of PARSONS & GOULTRY, calculated as of the date of confirmation;

\$ 18,000.00 Estimated professional fees for the Debtor's special purpose securities attorney Fay M. Matsukage, Esq., of DILL, DILL, CARR, STONBRAKER & HUTCHINGS, calculated as of the date of confirmation;

\$ 16,000.00 Estimated professional fees for the Debtor's special purpose accountant Matt McReynolds, of MANTYLA MCREYNOLDS, calculated as of the date of confirmation; and

\$ 7,000.00 Older than 30-days post-petition accounts payable [all post-petition administrative expenses are expected to be paid in full in the normal course of business prior to confirmation, including post-petition IRS obligations].

Professional fees, both legal and accounting, shall continue to accrue up through and subsequent to the Confirmation Date, with final amounts owing Pre-Confirmation Date subject to Court approval.

Further, the Debtor is obligated to submit quarterly operating reports post-confirmation, in order to provide a basis for assessing Debtor's post-confirmation

quarterly fees and to determine whether or not the Debtor is in compliance with a confirmed Plan of Reorganization.

PRIORITY TAX CLAIMS: The Debtor, SKYE INTERNATIONAL, INC.'S priority tax claims are as follows:

Name	Scheduled Amount	Proof of Claim Amount	Allowed Priority Amount
ARIZONA DEPARTMENT OF REVENUE – PAYROLL TAXES	\$401.05	\$0.00	\$0.00
CITY OF SCOTTSDALE – CITY BUSINESS LICENSE	\$75.00	\$0.00	\$0.00
UNITED STATES TREASURY – PAYROLL TAXES	\$2,361.84	\$336.00	\$0.00
Total: ¹	\$2,837.89	\$336.00	0.00

Pursuant to the Debtor's Plan, the treatment and disposition of the unclassified priority tax claims will be as follows: Any claim discrepancy will be resolved by the claim objection process, with the stipulated amount and/or Court decreed amount owing used to calculate that particular creditors' allowed claim being paid by the Debtor. All unclassified priority tax creditors shall be paid 100% of their allowed claim amount, with statutory interest thereon, from business revenues generated in the ordinary course of business, on or before the Effective Date of the Plan. In the event the Debtor fails to make the payments as set forth hereinabove, the allowed priority tax creditors shall have the right to proceed with any administrative remedies available to them, fifteen (15) days

¹ All scheduled priority tax claims were paid in Debtor's ordinary course of operations and no amounts are currently due and owing, other than in the normal course of operations.